



**STATE OF MONTANA  
DEPARTMENT OF CORRECTIONS  
POLICY DIRECTIVE**

Policy No. DOC 1.2.4	Subject: <b>INTERNAL CONTROLS</b>
Chapter 1: ADMINISTRATION AND MANAGEMENT	Page 1 of 3
Section 2: Fiscal Management	Effective Date: Dec. 15, 2008
Signature: /s/ Mike Batista, Director	Revised: 08/18/2014

## **I. POLICY**

The Department of Corrections maintains internal control functions that provide management data concerning the adequacy and effectiveness of the Department's internal controls and the quality of operating performance compared to established standards and management expectations.

## **II. APPLICABILITY**

All divisions, facilities, and programs Department-owned and contracted, as specified in the contract.

## **III. DEFINITIONS**

Corrective Action Plan – The document that identifies how risks will be corrected, who is responsible for their correction, and the date by which corrections will be made.

Internal Control – A process designed to provide reasonable assurance that the objectives of reliable financial reporting, effective and efficient operations, and compliance with laws and regulations are achieved. The process encompasses the control environment, the identification and analysis of risks, control activities, information and communications within and outside the organization, and monitoring of the process over time.

Internal Control Testing Team – A group of impartial and unbiased Department personnel assigned by the internal control officer to identify potential risks within the Department.

Internal Control Officer – The function assigned to the Department's compliance manager that is located in the Quality Assurance Office.

Risk Assessment – The assessment conducted to review vulnerabilities and weigh controls against cost, benefits and efficiency.

Testing Plan – The documentation used by the Internal Control Testing Team to determine whether internal control and testing processes function as intended in ensuring accurate financial reporting, the protection of department assets, and compliance with applicable laws.

## **IV. DEPARTMENT DIRECTIVES**

### **A. Internal Control Program**

1. The internal control program requires written procedures and practices to determine whether the Department's network of risk management and control adequately ensures that:
  - a. the Department complies with the [\*Montana Operations Manual \(MOM\) 399, Internal Control Guidebook\*](#);

Policy No. DOC 1.2.4	Chapter 1: Administration and Management	Page 2 of 3
Subject: <b>INTERNAL CONTROLS</b>		

- b. risks are appropriately identified and addressed through internal control assessments;
  - c. significant financial, managerial, and operating information is accurate, reliable, and timely;
  - d. employee actions comply with policies, standards, procedures, and applicable laws and regulations;
  - e. resources are acquired economically, used efficiently, and protected effectively; and
  - f. Department goals, plans, and objectives are clearly defined and identified.
- 2. The internal control officer will ensure that written documentation of the Department's internal control system of reporting is on file and available for review by agency administrators and auditors.
- 3. The internal control testing team will assist in the testing effort and report all findings to the internal control officer.
- 4. The internal control program staff will demonstrate independence and objectivity by:
  - a. providing report findings directly to the Department's management team on an annual basis;
  - b. reporting any conflicts of interest to the internal control officer to provide reasonable assurance of impartial and unbiased assessments; and
  - c. ensuring accountability by removing a staff member from the affected area of review if the staff member's independence or objectivity is compromised in the performance of his or her duties.

#### **B. Internal Control Plan**

- 1. The internal control plan will include:
  - a. an annual risk assessment that uses a flexible testing plan that identifies potential risks;
  - b. a draft report to include, at a minimum, objectives, scope conclusions, recommendations, notes of quality performance, and exceptions and opportunities for improvement;
  - c. a review of the draft report with appropriate staff at the completion of testing; and
  - d. a corrective action plan that outlines how the internal risks will be corrected.
- 2. The internal control officer will:
  - a. provide the Department's management team with the testing schedule and results on an annual basis; and
  - b. determine twelve months after issue of the final report whether the corrective actions were implemented.

#### **V. CLOSING**

Questions concerning this policy should be directed to the Quality Assurance Director.

#### **VI. REFERENCES**

- A. 4-4035; *ACA Standards for Adult Correctional Institutions, 4<sup>th</sup> Edition*
- B. [Montana Operations Manual \(MOM\) 399, Internal Control Guidebook](#)

#### **VII. ATTACHMENTS**

Policy No. DOC 1.2.4	Chapter 1: Administration and Management	Page 3 of 3
Subject: <b>INTERNAL CONTROLS</b>		

[Overall Internal Control Process & Evaluation Document](#)